

DRAFT #2
4 Jan 54

SUBJECT: Armed Service Participation in the Federal Espionage and Counter-
espionage System

NSC REVIEW
COMPLETED

1. Summary of Current Situation (For background, see Tab A)

a. Fulfillment of U. S. Government requirements for clandestine collection of information can be met most effectively and efficiently through centrally coordinated utilization of all espionage and counterespionage capabilities currently or potentially available to the U. S. Government.

b. Service intelligence elements, within the overseas command areas, are conducting espionage and counterespionage operations without their "accreditation" as "agreed activities" under the provisions of NSCID #5.

c. The overseas commands have information requirements, based upon their assigned missions, which can be met only through espionage and counterespionage operations.

d. As additional areas of the world become critical or sensitive, in terms of their involvement with the struggle between the USSR and the Western Powers, there will be a further increase in the scope and variety of information requirements necessitating clandestine collection activity on the part of the U. S. Government.

e. The current situation makes it mandatory that all U. S. espionage and counterespionage capabilities be put to use on a coordinated basis to ensure that the full potential of each capability is utilized in the over-all interests of the U. S. Government.

2. Recommended Action

An agreement between the Director of Central Intelligence and the Secretary of Defense that will;

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- a. Establish for both peacetime and wartime:
 - (1) The type and extent of espionage and counterespionage operations the Military Services desire to conduct;
 - (2) The conditions under which such operations may be conducted as "agreed activities" under the provisions of NSCIB #5.
- b. Provide for the development of specific procedures to meet the particular requirements and conditions existing within each overseas Commander's area of responsibility, with particular reference to the areas in or from which the Service intelligence elements may conduct espionage and counterespionage operations as "agreed activities".
- c. Provide for coordination between the DCI and the JCS in developing a mechanism, under the authority of the DCI, for centralized coordination of all U. S. espionage and counterespionage operations that will:
 - (1) Promote the most effective use of all clandestine capabilities currently or potentially available to the U. S. Government;
 - (2) Avoid duplication of effort, unwitting multiple use of the same sources, false confirmation, dissipation of valuable intelligence assets, etc.;
 - (3) Develop within the Service intelligence elements in peacetime, trained and experienced cadres on which to base the expanded military effort in the clandestine collection field that will be required in wartime.
- d. Preparation of the necessary JCS and DCI directives to implement the action outlined in sub-paragraphs a. through c. above, within the overseas commands and by the appropriate CIA stations overseas.

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1. NSCIB #5, issued pursuant to Section 102 (d) (4) of the National Security Act of 1947, authorizes and directs that the DCI shall conduct all organized Federal espionage and counterespionage operations outside the United States and its possessions required to meet the needs of all Departments and Agencies concerned, in connection with the national security, except for certain agreed activities by other Departments and Agencies. This directive further provides that the use of casual agents in a covert capacity by any IAC agency shall be coordinated by the DCI with the organized covert activities. It should be noted that the directive, in respect to the responsibility of the DCI, makes no distinction between peace and war.

2. Since the original issuance of NSCIB #5 in January 1947 there has been a steady expansion in the scope and volume of the intelligence information required by the military services and other agencies. Because this has been paralleled by an expansion in the security measures of the USSR and its satellites, the U. S. Government has been faced with an ever increasing dependence upon espionage and counterespionage as the primary means for obtaining the information required.

3. Through necessity, the Service intelligence elements within the overseas command areas have been conducting espionage and counterespionage operations, to varying degrees, since the end of World War II. Under strictly legal interpretation of NSCIB #5 and in the absence of any official arrangement for "agreed activities" by the Military Services, the Army, Navy and Air Force are not empowered to conduct organized espionage and counterespionage operations. CIA is responsible, in peace and war, for such operations to meet

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both the requirements of the overseas commanders and the national strategic requirements. However, the Services possess, by virtue of their trained complements in overseas areas, and their present and past "unagreed activities", espionage and counterespionage assets which should be utilized to the fullest extent in order to meet the ever increasing need for that intelligence information which, under present conditions, is procurable only through clandestine operations. In order to regularize these clandestine activities being conducted by the Services, they must be "legalized" by agreement between the DCI and the Department of Defense under the provisions of NSCIB #5. Such an agreement would permit the Services, to the extent of their capabilities, to conduct espionage and counterespionage operations to meet those Military intelligence information requirements which are in direct support of an overseas commander's mission and thereby enable CIA to concentrate on the strategic requirements established at the national level which usually necessitate deeper and more permanent operations.

4. Various ad hoc arrangements were made between the Army and CIA in an attempt to solve the problem of conducting espionage and counterespionage operations on the closely coordinated basis envisaged by the National Security Act of 1947 and NSCIB #5. During the period 1949-50, G-2 in collaboration with CIA, prepared and issued to the intelligence chiefs of EUCOM, USAF, and MACOM, policy letters calling for joint planning and coordination of operations between CIA and these overseas commands. However, these arrangements were never satisfactorily implemented. Furthermore, these were unilateral CIA-Army arrangements and would not be in consonance with existing JCS command structures.

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5. It is deemed essential that action be taken to remedy this situation with the least possible delay so that Service espionage and counterespionage operations can be officially recognized by the DCI as "agreed activities", under the provisions of NSCIB #5, and fully coordinated by him as a part of the Federal espionage and counterespionage effort, to insure the most effective use of all clandestine capabilities currently or potentially available to the U. S. Government.

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